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UNFPA - Recommendations of the Board of Auditors

UNITED NATIONS POPULATION FUND

FOLLOW-UP TO THE REPORT OF THE UNITED NATIONS BOARD OF AUDITORS FOR 2006-2007: STATUS OF IMPLEMENTATION OF RECOMMENDATIONS

Report of the Executive Director

Summary

Pursuant to decision 97/2 of the Executive Board, and subsequent to the first report by UNFPA on follow-up to the report of the United Nations Board of Auditors for 2006-2007: status of implementation of recommendations (DP/FPA/2009/1), the Executive Director is pleased to submit a second report on the implementation by UNFPA of the recommendations of the United Nations Board of Auditors, for the biennium that ended 31 December 2007.

This report updates the action taken by UNFPA to implement the recommendations of the United Nations Board of Auditors (A/63/5/Add.7), as contained in document DP/FPA/2009/1, noted above. A separate annex, available on the web page of the Executive Board (http://www.unfpa.org/exbrd/2010/2010_first.html), provides further details of the audit recommendations and the status of their implementation. UNFPA also addressed audit issues in its report on internal audit and oversight activities in 2008 (DP/FPA/2009/5), which it submitted to the annual session 2009 of the Executive Board.

In accordance with Executive Board decision 2005/8, the present report indicates the priority accorded to each of the audit recommendations. As of 30 September 2009, UNFPA had implemented, or was in the process of implementing, 59 accepted recommendations of a total of 60 recommendations. UNFPA has institutionalized the follow-up process for implementing the audit recommendations and has established a system to ensure that necessary action is taken. In addition, the senior management of UNFPA has designated national execution as one of its corporate priorities. UNFPA has included the implementation of the recommendations of the Board of Auditors as an indicator for corporate, division and staff performance, and is equipped to implement all audit recommendations by the indicated deadlines. UNFPA also seeks to address underlying systemic issues.

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I. INTRODUCTION

1. Pursuant to decision 97/2 of the Executive Board, and subsequent to document DP/FPA/2009/1, the Executive Director is pleased to submit to the Board the second report on the implementation of the recommendations of the United Nations Board of Auditors for UNFPA, for the biennium that ended 31 December 2007 (A/63/5/Add.7). In document A/63/474, the Advisory Committee on Administrative and Budgetary Questions reviewed the report of the Board of Auditors and the corresponding report of the United Nations Secretary-General (A/63/169).

2. The present report updates the action taken by UNFPA to implement the recommendations of the United Nations Board of Auditors (A/63/5/Add.7), as contained in document DP/FPA/2009/1. UNFPA also addressed audit issues in its report on internal audit and oversight activities in 2008 (DP/FPA/2009/5), and in the management response to that report, which UNFPA submitted to the annual session 2009 of the Executive Board.

3. The report is organized as follows:

(I) Introduction

(II) Status of implementation of the audit recommendations

(III) Systemic issues

(IV) Conclusion

(V) Recommendation.

4. The recommendation numbers cited in the present document correspond to those contained in the report of the United Nations Board of Auditors (A/63/5/Add.7).

II. STATUS OF IMPLEMENTATION OF THE AUDIT RECOMMENDATIONS

5. The Executive Director is pleased to report that UNFPA has implemented, or is in the process of implementing, 59 accepted recommendations of a total of 60 recommendations made by the United Nations Board of Auditors for the biennium that ended 31 December 2007. As part of its efforts to improve governance, oversight and accountability, UNFPA will ensure that it will implement all recommendations of the Board of Auditors in a timely manner. Furthermore, UNFPA is engaging in a rigorous exercise to address the systemic issues related to national execution, a primary concern of the Board of Auditors.

6. In line with the report of the Secretary-General to the sixty-third session of the General Assembly on the implementation of the recommendations of the Board of Auditors on the financial statements of United Nations funds and programmes for the financial period that ended

31 December 2007 (A/63/169), the table below provides a summary of the implementation of the recommendations by area of responsibility. In accordance with Executive Board decision 2005/8, it also indicates the priority given to each of the recommendations.

Implementation status of recommendations by area of responsibility

Division/ country office	Number of recommendations	Not implemented	Implemented	In progress	Priority		
					High	Medium	Low
Division for Management Services	35 (of which 1 recommendation was not accepted)		30	4	4	30	
Division for Oversight Services	1		1		1		
Division for Human Resources	8		4	4		8	
Executive Coordinator, National Execution	9		6	3	4	5	
Office of the Executive Director	1		1			1	
Programme Division	4		3	1		4	
Regional offices	1			1		1	
Country offices	1		1			1	
Total	60	-	46	13	9	50	-

7. UNFPA is pleased to report that it has implemented 46 of a total of 59 accepted recommendations of the United Nations Board of Auditors. This represents 78 per cent of the recommendations and an increase of 12 implemented recommendations since the first report (DP/FPA/2009/1). UNFPA is on track in implementing the remaining 13 recommendations. UNFPA expects to fully implement the remaining recommendations by March 2012. UNFPA will implement 12 recommendations by 31 March 2010 and one recommendation (linked to the implementation of the international public sector accounting standards) by 31 March 2012. The target completion date for each recommendation is contained in the audit recommendation table available on the Executive Board web page (http://www.unfpa.org/exbrd/2010/2010_first.html).

8. To strengthen its analysis, UNFPA grouped the recommendations by the risk categories defined in paragraph 30 of document DP/FPA/2006/4. The recommendations are grouped into the following categories: (a) people risk; (b) process risk; (c) relationship risk; and (d) technology and systems risk. The paragraphs that follow summarize the action taken by UNFPA to address the recommendations in each risk category. UNFPA has sought to address the high risk recommendations as a priority.

A. People risk

9. This group includes recommendations relating to succession planning for personnel, contractual arrangements of temporary personnel, staff performance appraisal, training, leave administration and the reporting of fraud.

10. There are eight recommendations in this group: one recommendation is of high priority (164); and seven recommendations are of medium priority (recommendations 133, 140, 145, 154, 174, 176 and 182). UNFPA has implemented four medium-priority recommendations (133, 154, 174 and 176). This represents 50 per cent of the recommendations in this group. UNFPA expects to implement the other four recommendations by 31 March 2010.

11. Recommendation 140 seeks to improve the recording of attendance and leave. The implementation of Atlas absence processing for headquarters-administered staff (wave II) was delayed due to system development issues. In October 2009, UNFPA completed user testing of the enhanced module that includes absence processing for internationally recruited staff as well as headquarters locally recruited staff. UNDP has advised UNFPA that it may now identify absence processors and establish the necessary security requirements. As soon as this phase is completed, UNDP will provide refresher training to the absence processors at headquarters and will send updated instructions to absence processors in the field, to guide them on data entry for field-based international professionals.

12. Recommendation 145 indicates that country offices should maintain complete and accurate leave records. UNFPA has decentralized the maintenance of leave records to country offices. The absence processing module in Atlas is available in country offices; UNDP has trained leave monitors and their alternates to use the absence processing module for locally recruited staff only. UNFPA is manually recording the absences of internationally recruited staff in country offices until the enhanced version of the software in Atlas is available (wave II implementation).

13. Recommendation 182 seeks to improve the submission rate of semi-annual reports by country offices regarding special service agreements and service contracts. UNFPA developed a web-based system to enable country offices to input data on current service contract and special service agreement holders. By the end of 2007, compliance had reached 68 per cent. In order to ensure that UNFPA has timely, accurate information on its non-staff employees, UNFPA will design a report to extract this information from the Atlas finance module in order to track the status of service contracts and special service agreements. This solution will provide up-to-date

data and thus ensure full compliance with deadlines. The deadline for implementation of this recommendation is 31 December 2009.

14. Recommendation 164 indicates that biennial support budget posts should only be financed by biennial support budget funds. The definitions of classifying costs between programme and biennial support budget, as well as harmonized biennial support budget cost classification definitions of management and administration and programme support have been agreed among UNDP, UNFPA and UNICEF and approved by their Executive Boards in 1997. In decision 2009/26, the Executive Board requested UNDP, UNFPA and UNICEF to collaborate on a harmonized format for the 2012-2013 biennial support budget. One of the outcomes of this collaboration will be agreed definitions of the classification of costs. After the definitions are confirmed, UNFPA will review all posts to determine the correct classification of post-related costs.

B. Process risk

15. This group includes recommendations related to procurement activities and assets, staff benefits, reporting, audit charter and coverage, and monitoring the implementation of audit recommendations.

16. There are 38 recommendations in this group. UNFPA did not accept recommendation 297. Three recommendations are of high priority (43, 47 and 371), and 34 recommendations are of medium priority (26, 29, 54, 59, 67, 72, 75, 79, 84, 88, 93, 99, 102, 106, 115, 120, 126, 167, 259, 274, 290, 304, 305, 316, 321, 331, 336, 344, 348, 355, 359, 364, 367 and 397).

17. UNFPA has implemented two high-priority recommendations (43 and 371) and 31 medium-priority recommendations (29, 54, 59, 67, 75, 79, 84, 88, 93, 99, 102, 106, 120, 126, 167, 259, 274, 290, 304, 305, 316, 321, 331, 336, 344, 348, 355, 359, 364, 367 and 397). UNFPA has implemented 89 per cent of the recommendations in this group. Based on the revised implementation plan for the international public sector accounting standards, UNFPA will implement the remaining four recommendations as follows: three recommendations (26, 47 and 72) will be implemented by 31 December 2009, and one recommendation (115) will be implemented by 31 March 2012.

18. Recommendation 167 was not accepted initially by UNFPA. However, UNFPA reached an agreement with the United Nations Board of Auditors to consider the recommendation as having been implemented.

19. Recommendation 26 indicates that UNFPA should clear long-outstanding amounts from staff education grants. UNFPA recovered the majority of the long-outstanding amounts during the first half of 2009. For the remaining amounts, UNFPA is following up regularly with UNDP to ensure that recovery occurs. UNFPA anticipates that all advances will be recovered or be in the process of recovery by the end of December 2009.

20. Recommendation 47 relates to the implementation of project risk-management methods to mitigate risks from the implementation of the international public sector accounting standards. UNFPA developed a risk-mitigation strategy in close consultation with UNDP, which it integrated into the international public sector accounting standards project. UNFPA will review and revise the risk-mitigation strategy on a regular basis.

21. Recommendation 72 indicates that the information reported by country offices in the country office annual reports should be verified. The UNFPA Operations Committee discussed the recommendation and decided to include, in the quality assurance process, a review and verification of data from the 2008 annual reports by regional offices. UNFPA updated the 2008 country office annual report guidelines to include quality assurance and verification dimensions for the 2008 reporting process. Due to regionalization and organizational restructuring, UNFPA has implemented the quality-assurance dimensions in the revised country office annual report guidelines in a phased manner. UNFPA is making systematic efforts to strengthen the coherence and quality assurance of its annual reporting process. In order to streamline reporting, UNFPA is developing a simplified format and will provide detailed instructions to country offices to ensure the submission of high-quality, analytical reports.

22. Recommendation 115 refers to UNFPA capitalizing the value of the global contraceptive commodity programme stocks in its financial statements. UNFPA disclosed the value of the stock in a note in the 2008 UNFPA financial statements. The value will be capitalized effective 31 December 2011, and will be reflected in the 2010-2011 financial statements.

C. Relationship risk

23. This group includes recommendations relating to interactions between UNFPA and its implementing partners and related processes, as well as the costing methodology for services provided for UNFPA.

24. There are 13 recommendations in this group: five recommendations are of high priority (201, 202, 203, 208 and 258), and eight recommendations are of medium priority (146, 221, 223, 229, 233, 245, 280 and 285). UNFPA has implemented four high-priority recommendations (202, 203, 208, and 258) and five medium-priority recommendations (221, 229, 233, 280, and 285). This represents 69 per cent of the recommendations in this group. UNFPA expects to implement the remaining four recommendations by 31 December 2009.

25. Recommendation 146 refers to UNFPA requiring UNDP to furnish detailed leave accrual reports that are reconciled with the leave provision in the financial statements. Leave accruals that will accurately provide the estimated liabilities are part of the international public sector accounting standards employee benefits implementation planned for January 2011. For all international and locally recruited staff, it is expected that the joint UNDP/UNFPA/UNOPS implementation of the international public sector accounting standards will include a provision for an automated process that will generate monthly leave accrual reports that are reconciled with the leave provision in the financial statements.

26. Recommendation 201 relates to UNFPA ensuring that audit reports are captured correctly in the national execution database. To address this recommendation, UNFPA is designing a comprehensive, web-based national execution audit management system to better manage the national execution audit process – from the planning stage, to the entry of audit reports into the system, to the systematic follow-up of audit recommendations. UNFPA is testing the national execution audit management system and will launch it on 1 January 2010 for the 2009 national execution audit cycle. UNFPA is also developing additional tools and providing support to country offices, including a guide on national execution audit management, a sample audit engagement letter, a glossary on audit report terminology and revised terms of reference for the 2009 audits. By the end of 2009, UNFPA will utilize regional and subregional arrangements for national execution audit services on a case-by-case basis, primarily for countries that have difficulty identifying local audit services.

27. Recommendation 223 indicates that the information in the national execution database should be complete and accurate, and that UNFPA should include a measurable indicator in the balanced scorecard to assess progress in the submission of the national execution audit reports. In October 2008, UNFPA transferred the national execution database to the Executive Coordinator, National Execution, whose team is recording the submission of audit reports and reviewing the entries of country offices in the database. This has permitted a more systematic analysis and follow-up by a unit that operates independently of those units that undertake internal oversight in UNFPA. UNFPA is designing a new database to better manage the audit process for the 2009 audits. With regard to including a measurable indicator in the balanced scorecard to assess progress in the submission of national execution audit reports, UNFPA will include an indicator on national execution in the performance appraisal and development form of concerned staff members at country, regional and global levels.

28. Recommendation 245 calls for UNFPA to review discrepancies between certificates of expenditure, audit reports, Atlas and the national execution database. UNFPA has analysed the discrepancies between the certificates of expenditure, the Atlas reports and the national execution database, and is implementing several measures to avoid such discrepancies in the new database. These measures include adding dynamic expenditure data columns to the national execution database, adjusting timelines for the 2009 national execution audits, and the introduction of an expenditure report from Atlas, which serves as the source of national execution audits. These changes will take effect for the 2009 national execution audit cycle.

D. Technology and systems risk

29. This group includes recommendation 186, which indicates that country offices should implement disaster-recovery plans. This is a medium-priority recommendation that UNFPA expects to implement by 31 December 2009. UNFPA has provided a template to all country offices to enable them to maintain disaster-recovery plans. In addition, UNFPA has expanded its e-file system to all staff, so that data can be easily backed up in New York. Corporate data are already covered with a headquarters-based disaster recovery plan. As of 1 November 2009, UNFPA will back up in New York, on a nightly basis, all regional and subregional office data.

UNFPA headquarters and the regional offices are following up with country offices to ensure that the disaster-recovery plans are implemented.

III. SYSTEMIC ISSUES

30. UNFPA is working closely with partner organizations to harmonize its business practices and address audit recommendations. As UNDP is the agency leading the implementation of the Atlas absence-processing module, UNFPA has depended largely on UNDP to address issues in this area. This includes the implementation of Atlas absence processing for international and locally recruited staff at headquarters (recommendations 140 and 146), as well as the roll-out of the absence-processing module for internationally recruited staff in country offices (recommendation 145), including the provision of training to support the implementation. UNFPA is also following up with UNDP to ensure that the recovery of long-outstanding amounts from staff education grants occurs.

31. With regard to Atlas, UNDP and its partners implemented a number of measures in 2008-2009: (a) the system was upgraded to a newer version; (b) the system was migrated to the United Nations International Computing Centre in Geneva, which will provide increased and more flexible hosting capacity for the Atlas partners; and (c) weaknesses were identified and addressed. UNFPA is working closely with Atlas partner organizations to resolve any issues that may arise with regard to Atlas. In addition, requests for Atlas access are now processed through an automatic system that assigns pre-determined access rights to staff members based on their job titles, and ensures the required separation of duties. The senior manager in the office must approve all Atlas access right requests. With such measures in place, UNFPA has strengthened the Atlas security environment.

32. Regarding the implementation of the international public sector accounting standards, UNFPA created an internal board to review the project plan and to monitor its implementation. This includes risk management to address the risks of not meeting the project milestones and mitigation measures. A number of United Nations organizations, including UNDP, have decided to postpone to 2012 the full implementation of the international public sector accounting standards. In the light of UNFPA dependence on UNDP for Atlas and human resources services, UNFPA has decided to implement the international public sector accounting standards using a phased approach, with full implementation by 2012. With the delayed implementation, UNFPA is faced with two principal challenges: (a) to sustain momentum, which UNFPA is addressing by continuing the phased implementation; and (b) to ensure a harmonized, phased implementation with Atlas partners, in particular with UNDP, in areas where this is critical.

33. As requested by the Executive Board in decision 2009/26, UNFPA is collaborating with UNDP and UNICEF to improve the method of budgeting, with a view to presentation by each organization of a single, integrated budget that includes all budgetary categories. In addition, UNFPA is collaborating with UNDP and UNICEF to develop a roadmap to achieve this objective.

34. National execution is a priority in the UNFPA strategic plan, 2008-2013. In response to General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for the development of the United Nations system, UNFPA continues to work with other United Nations partners to promote national execution and to build national capacity within the context of the harmonized approach to cash transfers.

35. UNFPA will continue to engage in discussions with UNDP and other partner organizations on how to strengthen risk management through the implementation of an enterprise risk management framework and strategy.

IV. CONCLUSION

36. UNFPA has included the implementation of the recommendations of the United Nations Board of Auditors as indicators for corporate, division and staff performance. UNFPA has fully institutionalized the follow-up process for external audit recommendations. The Executive Committee monitors the implementation of the recommendations of the Board of Auditors on a quarterly basis, and the managers of all divisions and units are held accountable for follow-up on all recommendations related to external and internal audits.

37. As a result, UNFPA has implemented, or is in the process of implementing, all 59 accepted recommendations of the United Nations Board of Auditors for 2006-2007, and has completed action on 46 recommendations. UNFPA expects to implement all recommendations by March 2012, with the majority of the recommendations being implemented by the end of 2009.

V. RECOMMENDATION

38. The Executive Board may wish to take note of the present report (DP/FPA/2010/15) and the further action planned by UNFPA in implementing the recommendations of the United Nations Board of Auditors for 2006-2007.